

Executive Summary

Real gross domestic product (GDP), an inflation-adjusted measure of the total output of goods and services produced in the United States, was estimated to have declined by 0.9 percent in the second quarter. This merely acknowledges what the National Bureau of Economic Research announced in November: the United States in a recession. Total real consumption expenditures, which account for about two-thirds of GDP, increased by 2.2 percent in the quarter. Total investment comprises about one-fifth of GDP, and was down by 8.9 percent over a year earlier.

Kentucky's personal income is estimated to be \$102.1 billion in the second quarter of FY02, an increase of 2.5 percent from a year ago. U.S. personal income was up 2.8 percent on an annualized basis. Inflation, as measured by the U.S. Consumer Price Index, rose 1.1 percent in the second quarter. Employment growth in Kentucky is estimated to have fallen by 300 jobs from a year ago, principally due to large losses in the manufacturing sector. Wages and salaries, a little over one-half of personal income, increased by 2.3 percent.

General Fund revenues for the second quarter of FY02 exhibited weak growth over the second quarter of FY01. Receipts in the second quarter totaled \$1,714.6 million compared to \$1,678.6 million received in the second quarter of FY01. The resulting growth rate was 2.1 percent. As usual, variations in the quarterly receipts are affected by differences in the timing of payments into revenue accounts.

In the second quarter, property tax receipts were accelerated by earlier payments.

Total sales and use tax receipts for the quarter were up 2.4 percent. Individual income taxes posted a growth rate of 2.4 percent, compared to a growth rate of 0.4 percent during the second quarter of last year. Corporation income tax receipts fell 16.9 percent, affected by higher refunds and lower declaration payments. The coal severance tax posted a growth of 20.8 percent in the second quarter of FY02. Property tax receipts were up by 9.9 percent, due to a change in timing, and the Lottery was up 24.1 percent, largely on the strength of last summer's Powerball sales. The "all other" category fell sharply in the second quarter, down 17.1 percent due to declines in the corporate license tax, investment income, and the public service company assessment.

The Road Fund reported growth of 12.1 percent in the second quarter of FY02, with revenues totaling \$277.7 million. Motor fuels tax receipts rose 3.9 percent compared to a year. The motor vehicle usage tax increased by 9.7 percent during the FY02 second quarter, and the weight distance tax rose 0.6 percent. "All other" Road Fund accounts jumped by 21.8 percent.

The interim revenue estimate for the next three fiscal quarters is for General Fund revenues to grow by 0.3 percent over the remainder of FY02, and expand by 1.5 percent in the first quarter of FY03. Therefore, General Fund receipts should reach \$6,731.2 million in FY02, and \$1,585.4

million in the first quarter of FY03. For the next two quarters, sales and use tax revenues are forecasted to growth by 2.1 percent, and individual income taxes are projected to expand by 1.6 percent. Corporation income and license taxes are expected to fall by 10.6 percent. The coal severance tax is forecasted to grow by 8.2 percent. Property taxes should decline 10.1 percent, the lottery is expected to grow by 5.2 percent, and "all other" accounts should grow 16.0 percent.

The interim outlook for the Road Fund is for revenues to remain almost constant with last year in the final two quarters of FY02, with a very slight increase of 0.1 percent and total revenues of \$549.2 million. This should bring total FY02 Road Fund revenues to \$1,088.5 million. Growth for the upcoming two quarters will be adversely affected by lower investment income. Motor fuels taxes are expected to rise by 6.9 percent in the final two quarters of FY02. The motor vehicle usage tax is projected to increase by 3.4 percent. License and privilege taxes are expected to grow 4.4 percent, and the weight distance tax is expected to grow 1.4 percent.

**The state's fiscal year, which begins on July 1, will be used as the time frame throughout this report, i.e., the second quarter of FY2002 covers the October-December 2001 period.*

The Economy

NATIONAL ECONOMY

Second Quarter, FY02

During the second quarter, in November 2001, the National Bureau of Economic Research announced that the nation had been in recession since March 2001. That spelled the end of ten years of unprecedented growth for the U.S. economy.

Real gross domestic product (GDP) is an inflation-adjusted measure of the total output of goods and services produced in the United States. Real GDP is estimated to have decreased by 0.9 percent in the second quarter. The slowdown in the economy can be directly linked to the rapid drop in investment. Total investment comprises close to a fifth of real GDP and is usually sensitive to both interest rates and future expansion opportunities. The investment component of GDP dropped 8.9 percent during the second quarter, following a similar decline of 8.5 percent in the previous quarter. Just eighteen months ago, during the January to March quarter of 2000, investments were up 15.8 percent as businesses poured money into start-ups and expansions. Following a decline in the NASDAQ in March 2000 business investments started to dry up even though the Fed ratcheted down short-term interest rates.

The consumer has been the driver for both the national and Kentucky economies. The recession has slowed down consumption expenditures substantially. Two-thirds of real GDP is comprised of consumption expenditures. Total real consumption

increased by just 2.2 percent in the second quarter, compared to 3.1 percent a year ago. Traditionally, the slowdown, emanating from a decline in consumer confidence, is felt most strongly in the consumption of durable goods. However, zero-percent financing drove up one component of durables, automobile sales. Consumer expenditures on motor vehicles and parts was up 44.3 percent compared to a decline of 0.5 percent in the previous quarter.

In contrast to the bounce in the consumption of durables, the consumption of nondurable goods was down 1.8 percent. Even such staples as food and beverage registered a decline. Services constitute a little over one-half of all consumption and about 35 percent of total GDP. The consumption of services increased by a slim 0.9 during the second quarter. Much of the increase came from the area of personal and business services.

GOEA carefully monitors industrial production because it is a measure of the output of heavy industries like mining and manufacturing. These industries continue to play a vital role in Kentucky's economy. Industrial production is a measure of raw output, comprised of only the final products. The industrial production index fell 7.1 percent during the second quarter. This was the fifth consecutive quarterly decline. The manufacturing portion of the index fell by 7.4 percent, with a decline of 10.8 percent in

the area of durable goods. For the first time since 1983, factory capacity utilization dipped to just 73 percent.

Personal income, a measure of spending power, was \$8,755.2 billion in the second quarter, for an annualized decline of 0.8 percent over the previous quarter. Real disposable income was down 8.9 percent, and continued the well-established tradition of being well behind real consumption.

Low energy prices during the second quarter kept inflation in check. As measured by the annualized change in the consumer price index, inflation was just 1.1 percent. The unemployment rate was up sharply to 5.7 percent compared to 4.0 percent a year ago.

Total nonagricultural employment declined by 2.6 percent in the second quarter. Without exception, each of the major industrial sectors showed a loss in jobs. The worst hit by far was the manufacturing sector with a decline of 8.3 percent. There was a sharp drop of 10.4 percent in durable goods manufacturing jobs, while nondurables declined by 5.0 percent. The impact of the terrorist attacks of September 2001 was felt primarily in the transportation, communications, and public utilities sector with a loss of 6.7 percent jobs. The transportation sector alone was down 10.6 percent. Even the service sector registered a small decline during the second quarter.

STATE ECONOMY

Personal income is the broadest measure of a state's economic performance. Kentucky's personal income is estimated to be \$102.1 billion in the second quarter of FY02, an

increase of just 2.5 percent from a year ago. U.S. personal income grew by 2.8 percent during the same period. Wages and salaries constitute a little over half of personal income. Income derived from wages and salaries is estimated to have grown by 2.3 percent in FY02:2, compared to 2.7 percent nationally. Kentucky's lower growth can be ascribed to some extent to job losses in the traditionally high-wage manufacturing sector. Other areas of personal income, namely dividends, interests, and rent as well as proprietors' income also grew more slowly in Kentucky than in the national economy.

Employment data is commonly used to gauge the strength of the state's economy, primarily because of its timely availability and its impact on consumer spending and confidence. Kentucky lost approximately 300 jobs during the second quarter compared to a year ago. In contrast, just a year ago the state gained 19,600 jobs for an increase of 1.1 percent.

Manufacturing jobs in Kentucky have been the hardest hit by the recession. During the second quarter manufacturing employment dropped by 6.2 percent resulting in a loss of 19,900 jobs. Except for employment in the food and kindred products sector all other manufacturing industries posted a decline. Among the large industries the hardest hit were textile and apparel (down 17.2 percent), industrial machinery (down 7.8 percent), and electronic equipment (down 8.4 percent). Even the automotive sector posted a loss of 2.3 percent. Even though automobile sales were brisk, production had slowed down to keep inventories to a manageable level. Moreover, many of the ancillary equipment manufacturers provide parts to such

beleaguered companies as Daimler-Chrysler and General Motors.

A little over one-fourth of Kentucky's nonagricultural jobs are in the service sector. This sector also had the highest numerical as well as percentage increase with a gain 13,900 jobs for an increase of 2.9 percent. The growth came not so much from the higher paying area of health services, but from business services (up 4.3 percent) and social services (up 3.0 percent). Even though the business services category does include computer program-

ming and data services, in Kentucky this category is dominated by personnel supply services, and computer maintenance services.

Employment growth in the transportation, communication, and public utilities (TCPU) sector was down 2.0 percent. The transportation sector in Kentucky is dominated by air transportation. The terrorist attacks in September sharply decreased passenger and cargo traffic and affected the major hubs in northern Kentucky and Louisville.

***Data for second quarter FY02 U.S. economic activity are derived from estimates made by DRI/-WEFA Control Scenario, January 2002.*

Table 1
National Economic Indicators
Second Quarter, FY2002

	FY01:2	FY02:1	FY02:2	SAAR** FY02:1 to FY02:2	FY01:2 to FY02:2 Percent Change
Real GDP (billion 1996 \$)	9,303.9	9,310.4	9,290.2	-0.9	-0.1
Personal Income (billion \$)	8,519.6	8,771.8	8,755.2	-0.8	2.8
Real Disposable Income (billion 1987 \$)	6,634.9	6,917.5	6,758.5	-8.9	1.9
Consumer Price Index (annual percent change)	2.9	0.7	1.1	-	-
Industrial Production (annual percent change)	-2.6	-4.4	-7.1	-	-
Civilian Labor Force (millions)	141.2	141.8	142.3	1.4	0.7
Total Nonagricultural Employment (millions)	132.3	132.3	131.5	-2.6	-0.6
Manufacturing Employment (millions)	18.4	17.6	17.2	-8.3	-6.5
Unemployment Rate (percent)	4.0	4.8	5.7	-	-

Sources: DRI-WEFA, and U.S. Dept. of Commerce, Bureau of Economic Analysis.

* Data for FY02:2 are January 2002 estimates.

** Seasonally adjusted annual percent growth rate.

Table 2
Selected Kentucky Economic Indicators
Seasonally Adjusted Data
(Thousands)

	FY01:2	FY02:2	Change	Percent Change
Total Personal Income (\$ millions)	99,556	102,069	2,513	2.5
Wage & Salary Income (\$ millions)	55,325	56,597	1,272	2.3
Total Nonagricultural Employment	1,829.2	1,828.9	-0.3	0.0
Mining	19.1	19.3	0.2	1.0
Construction	86.1	85.7	-0.4	-0.5
Manufacturing	318.9	299.0	-19.9	-6.2
Transportation, Communication, & Public Utilities	108.4	106.3	-2.2	-2.0
Trade	432.2	444.9	12.7	2.9
Finance, Insurance, and Real Estate	76.7	71.8	-4.8	-6.3
Services	477.6	491.5	13.9	2.9
Government	310.3	310.4	0.2	0.1

Note: Numbers may not add up due to rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
GOEA's Macromodel of Kentucky Forecast, January 2002.
Kentucky Cabinet for Human Resources.

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Revenue Receipts

SECOND QUARTER, FY2002

General Fund

The second quarter of FY02 continued the weak growth pattern that has been in evidence since the last fiscal year. Receipts in the second quarter totaled \$1,714.6 million compared to \$1,678.6 million received in the second quarter of FY01. The

of payments into revenue accounts. For this quarter, property tax was the primary account with timing variations.

Total sales and use tax receipts for the quarter were \$581.6 million, compared to \$568.0 million in the second quarter of FY01. The result is a lower than expected growth rate of 2.4 percent. The growth rate for sales and use tax receipts continues track below the growth trends of the last several years.

Individual income tax posted receipts of \$659.9 million, compared to last year's second-quarter receipts of \$642.6 million. The resulting growth rate was a modest 2.7 percent, but compares to a growth rate of 0.4 percent for the second quarter of last year.

Table 3
Summary General Fund Receipts
Second Quarter, FY2002
(Millions of Dollars)

<u>Type Tax</u>	<u>FY02</u>	<u>FY01</u>	<u>Percent Change</u>
Sales and Use	581.6	568.0	2.4
Individual Income	659.9	642.6	2.7
Corporation Income	48.2	57.9	-16.9
Coal Severance	41.2	34.1	20.8
Property	227.3	206.9	9.9
Lottery	49.0	39.5	24.1
All Other	107.4	129.6	-17.1
TOTAL	1,714.6	1,678.6	2.1

resulting growth rate was 2.1 percent, and compares to a growth rate of 1.6 percent for the same quarter last year. Collections in the major revenue categories are shown in summary form in Table 3. Detailed information on these and other accounts is available in the Appendix.

Variations in the quarterly receipts are often affected by differences in the timing

Corporation income tax receipts again decreased significantly in the second quarter of the fiscal year. Revenues of \$48.2 million were 16.9 percent lower than year-earlier figures of \$57.9 million. This compares to a decrease in the second quarter of the previous fiscal year of 27.5%.

Property tax receipts were higher than the second quarter of a year ago, posting a 9.9 percent increase. FY02 second-quarter receipts of \$227.3 million compare with

\$206.9 million from the second quarter of FY01. This increase is primarily the result of a timing difference, with payments coming in a little earlier than last year.

Coal severance tax continued to post a strong rebound in the second quarter, with revenues up by 20.8 percent. Collections of \$41.2 million compare to the FY01 second-quarter total of \$34.1 million.

Lottery receipts were \$49.0 million, up 24.1 percent from last year's second-quarter total of \$39.5 million. This strong showing is attributable to greater than normal sales due to the influence of a recent very large Powerball jackpot.

The "all other" category, which represents the remaining accounts of the General Fund, decreased significantly, posting a 17.1 percent decline in the second quarter.

Second-quarter receipts for FY02 were \$107.4 million and compare to \$129.6 million in FY01.

Road Fund

The Road Fund reported a significant increase in the second quarter of FY02, after several quarters of poor performance. Road Fund revenues were up 12.1 percent from the second quarter of

FY01. Receipts totaled \$277.7 million and compare to \$247.7 million from the second quarter of last year. Summary data are contained in Table 4 and detailed data are shown in the Appendix.

Motor fuels tax receipts increased at a rate of 3.9 percent during the second quarter. Receipts were \$104.9 million and compare to \$101.0 million collected during the second quarter of last year.

Motor vehicle usage tax increased dramatically in the second quarter, with receipts up by 19.7 percent. Receipts during the second quarter of FY02 totaled \$110.2 million and compare to \$92.1 million collected during the same period last year.

Weight distance tax receipts of \$19.0 million represent a 0.6 percent increase

over receipts of \$18.8 million during the second quarter of FY01.

The remainder of the accounts in the Road Fund combined for an increase of 21.8 percent

from a year earlier. In the "all other" category revenues of \$43.6 million compare to \$35.8 million in the second quarter of FY01.

Table 4
Summary Quarterly Report - Road Fund
Second Quarter, FY2002

<u>Type Tax</u>	<u>FY02</u>	<u>FY01</u>	<u>Percent Change</u>
Motor Fuels	104.9	101.0	3.9
Motor Vehicle Usage	110.2	92.1	9.7
Weight Distance	19.0	18.8	0.6
All Other	43.6	35.8	21.8
TOTAL	277.7	247.7	12.1

Revenue Outlook

REVENUE OUTLOOK: Interim Forecast¹

Projected General Fund revenues for the next three quarters are shown in Table 5. General Fund revenues were \$3,275.8 million in the first half of FY02, yielding a growth rate of 1.5 percent over the same period one year ago. Anticipated revenues for the second half of FY02 total \$3,437.4 million, corresponding to a growth rate of 0.3 percent over the second half of FY01. Our overall retardation of growth has direct links to the national recession, and its disproportionate impact on Kentucky's economy.

Total sales and use tax receipts for the first half of FY02 were \$1,159.3 million, with growth year-to-date of just 3.0 percent. The projected rate of growth during the second half of FY02 calls for \$1,147.2 million, or 2.1 percent. Imbedded in the projected aggregate growth rate is completion of the phase-in of the sales tax on interstate long-distance charges. Since the tax was not in place during the first half of FY01, growth in FY02 reflects partially the expansion of the base, not economic growth. During the next two fiscal quarters, growth will be strictly on an "economic" basis, which accounts for the lowered growth rate.

The interim forecast for the individual income tax calls for modest growth of 1.6 percent for the remainder of FY02,

amounting to collections of \$1,477.9 million. The individual income tax grew slowly by 1.4 percent in the first half of FY02. Growth in our income tax forecast is consistent with recent performance. Slow growth in withholding and declining declaration payments will prevent this source of revenue from rising more rapidly. It is also assumed that refund payments will be slightly higher due to year-to-date results from tax returns filed.

The outlook for the corporation income and license taxes projects a decline of 10.6 percent for the second half of FY02, representing collections of \$222.7 million. These anticipated collections will bring the FY02 total up to \$370.5 million, or a decline of 15.3 percent from FY01. The projected declines reflect the harsh impact the national recession has had on corporate earnings and on valuations of capital. Additionally, it is anticipated that issuance of corporate refunds will reach \$100 million or greater based on refund applications already received by the Revenue Cabinet.

The coal severance tax rose sharply in the first half of FY02, in contrast with most other General Fund sources. Its rapid rise has been due to a delayed impact of higher energy prices during 2000 and early 2001. It is anticipated that coal production and price will revert to their long-term trends,

and that sustained advances in the severance tax will give way at some point late in FY02. For this reason the coal severance tax is forecasted to grow by 8.2 percent in the upcoming six months, which represents slower growth from its 20.0 percent increase during the first half of the fiscal year. FY02 is expected to close with total coal severance tax receipts of \$161.9 million, an increase of 14.4 percent over FY01.

Property tax receipts totaled \$266.1 million in the first six months of FY02, with a growth rate of 8.9 percent. This rapid nominal growth rate was due to the timing of property tax payments vis-à-vis the previous fiscal year. It is expected that timing differences will reverse themselves in the upcoming six months, and that property tax payments will drop by 10.1 percent. Total collections should tally approximately \$412.7 million, for overall growth of 1.3 percent.

Lottery revenues grew by 10.0 percent in the first half of FY02. Part of this bounty is attributable to a one-time payment of \$10 million received from the lottery due to unprecedented sales from its Powerball game last summer. Expectations for the upcoming six months do not include record-setting Powerball jackpots; thus estimates are for a more muted growth of 5.2 percent. For the entire fiscal year, lottery revenues should rise by 7.6 percent, yielding receipts of \$169.0 million.

The “other” category contains estimates for several of the smaller revenue sources not otherwise classified. Although these taxes are aggregated for the purposes of display, they are estimated individually with models of varying analytical rigor. We antici-

pate a turnaround in these taxes for a combined growth of 16.0 percent in the second half of FY02, following a decline of 21.2 percent in the first half. The difference in growth reflects two timing events. The first is in the public service company assessment, and the second in investment income. In both accounts, differences in the timing of payments between FY01 and the current fiscal year caused wide swings between receipts last year and this year.

Road Fund

Road Fund revenues surged by 4.6 percent during the first half of FY02, with collections totaling \$539.3 million. Collections are expected to stall in the second half of the fiscal year. GOEA anticipates growth of just 0.1 percent during the next two fiscal quarters, bringing the entire fiscal year expected collections to \$1,088.5 million, a growth of 2.3 percent over FY01. The sources of Road Fund receipts are listed in Table 6.

Motor fuels normal, heavy vehicle fuel surtax, and motor fuels normal use tax receipts are expected to rise by 6.9 percent during the remainder of FY02. The growth in these taxes is an artifact of FY01, during which these taxes yielded consecutive declines of 7.5 percent and 4.6 percent in the third and fourth quarters respectively. Some of this growth reflects differences in the timing of collections.

Motor vehicle usage tax collections have risen 8.2 percent in the first two quarters of FY02. Much of the increase is attributed to higher sales brought about by factory rebates and zero-percent financing offered

by auto manufacturers. GOEA anticipates that some of the recent surge in sales comes at the expense of future sales; thus the outlook is for this growth to moderate, and the motor vehicle usage tax will rise by 3.4 percent in the second half of FY02.

To estimate the other components of the Road Fund, Transportation officials assessed the recent growth patterns as well as administrative factors in develop-

ing an updated estimate. Based on the latest evaluation, license and privilege taxes are expected to grow by 4.4 percent during the final six months of FY02, due to timing differences. The weight distance tax and surcharge are estimated to increase by 1.4 percent, slightly better than the 0.5 percent decline experienced year-to-date. Toll income will rise by 1.5 percent. Investment income will decline by 69.9 percent, largely due to lower Road Fund balances and lower interest rates.

Table 5
General Fund: Interim Forecast
(millions of dollars)
January 2002

	FY02			FY02			FY02		FY03		
	Quarters 1 & 2			Quarters 3 & 4			Full Year		Quarter 1		
	Actual	% Chg Year Ago		Interim Estimate	% Chg Year Ago		Interim Estimate	% Chg Year Ago	Interim Estimate	% Chg Year Ago	
Sales & Use	1,159.3	3.0		1,147.2	2.1		2,306.5	2.6	594.8	3.0	
Individual Income	1,343.0	1.4		1,477.9	1.6		2,820.9	1.5	688.4	0.8	
Corp. Income & Lic	147.8	-21.5		222.7	-10.6		370.5	-15.3	86.2	0.1	
Coal Severance	83.3	20.9		78.6	8.2		161.9	14.4	38.0	-9.7	
Property	266.1	8.9		146.6	-10.1		412.7	1.3	40.1	3.3	
Lottery	88.0	10.0		81.0	5.2		169.0	7.6	40.5	3.8	
Other	188.4	-21.2		283.3	16.0		471.7	-2.4	97.5	3.1	
General Fund	3,275.8	1.5		3,437.4	0.3		6,731.2	0.9	1,585.4	1.5	

Table 6
Road Fund: Interim Forecast
(millions of dollars)
January 2002

	FY02			FY02			FY02			FY03		
	Quarters 1 & 2			Quarters 3 & 4			Full Year			First Quarter		
	Actual	% Chg Year Ago		Interim Estimate	% Chg Year Ago		Interim Estimate	% Chg Year Ago		Interim Estimate	% Chg Year Ago	
Motor Fuels & MF Use/Surtax	218.3	1.1		222.7	6.9		441.0	3.9		111.8	2.2	
Motor Vehicle Usage & Rental	212.2	8.2		207.6	3.4		419.8	5.8		101.9	-0.1	
License & Privilege (excl. WD)	37.8	-2.6		59.2	4.4		97.0	1.6		24.8	40.1	
Weight Distance Tax/Surtax	38.0	-0.5		37.4	1.4		75.4	0.4		18.8	-1.4	
Non Rec and Fees	33.0	24.1		22.3	-51.3		55.3	-23.6		10.8	-19.0	
Toll Income	7.0	20.7		6.7	1.5		13.7	10.5		3.4	-3.8	
Investment	16.2	6.6		7.5	-69.9		23.7	-40.9		2.9	-43.1	
Other	9.8	75.0		8.1	-43.4		17.9	-10.1		4.5	-4.3	
Road Fund	539.3	4.6		549.2	0.1		1,088.5	2.3		278.8	6.6	

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APPENDIX

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KENTUCKY STATE GOVERNMENT REVENUE - GENERAL FUND REVENUE

	Second Quarter 2001 - 2002	Second Quarter 2000 - 2001	Year-to Date % Change
TOTAL GENERAL FUND	\$1,714,600,221	\$1,678,596,593	2.1%
Tax Receipts	\$1,634,343,868	\$1,607,701,843	1.7%
Sales and Gross Receipts	\$616,673,556	\$603,254,514	2.2%
Beer Consumption	1,489,750	1,495,734	-0.4%
Beer Wholesale	8,287,394	7,784,568	6.5%
Cigarette	3,439,721	3,455,114	-0.4%
Distilled Spirits Case Sales	20,741	21,611	-4.0%
Distilled Spirits Consumption	2,099,786	2,170,306	-3.2%
Distilled Spirits Wholesale	3,824,424	3,919,487	-2.4%
Insurance Premium	12,485,437	12,369,700	0.9%
Pari-Mutuel	1,251,559	1,792,937	-30.2%
Race Track Admission	64,439	65,690	-1.9%
Sales and Use	581,552,304	567,999,867	2.4%
Wine Consumption	474,210	464,646	2.1%
Wine Wholesale	1,683,792	1,714,853	-1.8%
License and Privilege	\$62,632,802	\$73,596,607	-14.9%
Alc. Bev. License Suspension	14,500	19,500	-25.6%
Coal Severance	41,248,236	34,149,801	20.8%
Corporation License	13,480,139	30,351,366	-55.6%
Corporation Organization	52,083	57,252	-9.0%
Occupational Licenses	22,628	43,031	-47.4%
Oil Production	616,343	856,965	-28.1%
Race Track License	109,675	102,800	6.7%
Bank Franchise Tax	-277,253	-84,592	—
Driver License Fees	115,885	76,981	50.5%
Minerals Severance	3,932,671	4,108,125	-4.3%
Natural Gas Severance	3,317,895	3,915,378	-15.3%
Income	\$708,104,419	\$700,541,788	1.1%
Corporation	48,167,131	57,936,806	-16.9%
Individual	659,937,288	642,604,982	2.7%
Property	\$227,267,857	\$206,851,476	9.9%
Bank Deposits	14,254	0	—
Building & Loan Association	113	13,494	-99.2%
Distilled Spirits	296,167	0	—
General - Intangible	16,380,923	16,240,294	0.9%
General - Real	121,551,092	112,714,331	7.8%
General - Tangible	54,492,256	54,279,956	0.4%
Omitted & Delinquent	3,771,438	3,740,728	0.8%
Public Service	30,663,288	19,781,719	55.0%
Other	98,325	80,953	21.5%
Inheritance	\$16,286,307	\$21,005,680	-22.5%
Miscellaneous	\$3,378,926	\$2,451,778	37.8%
Legal Process	1,457,608	804,474	81.2%
T. V. A. In Lieu Payments	1,868,404	1,650,766	13.2%
Other	52,915	-3,462	-1628.3%
Nontax Receipts	\$77,713,469	\$69,880,436	11.2%
Departmental Fees	4,239,221	3,749,884	13.0%
PSC Assessment Fee	37,315	109,418	-65.9%
Fines & Forfeitures	9,559,607	10,103,321	-5.4%
Interest on Investments	7,363,508	8,925,677	-17.5%
Lottery	49,000,000	39,500,000	24.1%
Miscellaneous	7,513,819	7,492,136	0.3%
Redeposit of State Funds	\$2,542,884	\$1,014,314	150.7%

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**KENTUCKY STATE GOVERNMENT REVENUE
ROAD FUND REVENUE**

	Second Quarter 2001 - 2002	Second Quarter 2000 - 2001	% Change
TOTAL ROAD FUND	\$277,663,768	\$247,683,339	12.1%
Tax Receipts-	\$258,164,031	\$231,748,512	11.4%
Sales and Gross Receipts	\$219,224,348	\$195,851,584	11.9%
Motor Fuels Taxes	104,926,733	100,999,562	3.9%
Motor Fuels Use & Surtax	4,029,500	2,676,672	50.5%
Truck Trip Permits (fuel)	88,040	113,070	-22.1%
Motor Vehicle Usage	110,180,075	92,062,280	19.7%
License and Privilege	\$38,939,683	\$35,896,929	8.5%
Motor Vehicles	15,403,673	12,114,179	27.2%
Motor Vehicle Operators	1,383,107	1,391,897	-0.6%
Weight Distance	18,955,177	18,846,711	0.6%
Truck Decal Fees	42,157	19,287	118.6%
Other Special Fees	3,155,568	3,524,854	-10.5%
Nontax Receipts	\$19,174,176	\$14,956,228	28.2%
Departmental Fees	3,678,314	2,778,509	32.4%
In Lieu of Traffic Fines	518,002	440,224	17.7%
Highway Tolls	3,540,227	2,784,455	27.1%
Investment Income	11,082,231	8,759,040	26.5%
Miscellaneous	355,402	194,001	83.2%
Redeposit of State Funds	\$325,561	\$978,598	-66.7%

1 *Executive Summary*

3 *The Economy*

9 *Revenue Receipts*

11 *Revenue Outlook*

17 *Appendix: Second Quarter Receipts*
